ECONOMIC DEVELOPMENT & ENERGY COMMITTEE
SPECIAL MEETING
June 7, 2001

Minutes

A special meeting of the Economic Development & Energy Committee was held on **June 7, 2001** at the William H. Rogers Legislature Building regarding a proposed power plant by Kings Park Energy.

The following were in attendance:
Legislator Jon Cooper – Chairman
Legislator Andrew Crecca – Member
Gerard McCreight – Aide to Legislator Cooper
Frank Tassone – Aide to Legislator Crecca
Andy Raia – Aide to Legislator Binder
Paul Eisen – BE&T/Terranext
John Mendola – Townline Association
Kathleen Gobos – Townline Association
Allen Leon – Townline Association
Mark Serotoff – Townline Association
Marge Serotoff – M.D.
Gilda Axelrod – Townline Association
Fred Eisenbud – Townline Association's attorney
Sonya Morlock – Townline Association
Joan Aberle – Townline Association
Bill Steibel – Sierra Club, Energy Chair
Richard DiGrandi – Towline Association
Arthur Goldberg – Town Association
Alan Feilgelson, PH.D – Townline Association
James Potter – PPL Global/KPE
William C. Miller, Jr. – Clearview Consultants Inc. for KPE
Brad O'Hearn – KPE
Todd Johnson – County Executive's Office
Bonnie Godsman – County Executive's Office
Jim Dobkowski – Aide to Presiding Officer
Gordian Raacke – Executive Director, Citizens Advisory Panel
Ann Marie Pastore – Legislative Assistant

(Chairman Jon Cooper called the meeting to order at 7:15 p.m.)

CHAIRMAN COOPER:
I'd like to welcome everyone to the Suffolk County Legislature's Economic Development & Energy Committee. I'd like to lead off by asking if Legislator Crecca could lead us in the pledge.

(Salutation)

Thank you. I know that the issue of siting power plants can be very contentious. So I'd like to run through a few ground rules for this evening's meeting. I ask that members of the public not shout comments or otherwise disrupt tonight's dialogue in any way. Anyone doing so will be asked to leave the Legislative Auditorium by the two Sheriff Deputies that are present this evening. Please keep in mind that this is an official committee meeting, so all participants and guests should demonstrate proper respect for each other.

I hope that tonight we can begin an open and honest dialogue between the Townline Association and Kings Park Energy for the ultimate benefit of all residents of the local community. I sincerely believe that we can set an example to be followed by other

municipalities that will be facing similar issues in the future. While there will definitely be a need for increased energy generation on Long Island in the coming years, the extent of that need and the timeframe required are much debated. As Chairman of the Legislature's Economic Development & Energy Committee, I hope to help initiate the process of developing a long range energy plan for Long Island so we can better plan for our future energy needs.

Finally, I firmly believe that expanded energy conservation and energy efficiency measures should be taken by individuals, businesses, and government on Long Island instead of simply relying on the construction of new power plants to increase generation capacity as a way of dealing with a potential energy crisis. That being said, let's begin this committee meeting with the introductions of our guests. Anyone who would like to come up, if you could please do so. Please state your names and if applicable titles for the record.

MR. POTTER:
Good evening. My name is James Potter, and I'm Executive Director in charge of Kings Park Energy and Director of Business Development for PPL Global.

MR. MILLER:
My name is Bill Miller. I'm President of Clearview Consultants, and I'm here on behalf of Kings Park Energy.

MR. LEON:
Mr. Chairman, my name is Allen Leon. I am President of Townline Association.

MR. HELLER:
Good evening. Jeff Heller.

MR. MANDOLA:
John Mandola.

CHAIRMAN COOPER:
Thank you and welcome. Jim, would you like to begin?

MR. POTTER:
What I'd like to do tonight – first of all, your assistant was nice enough to fax me a copy of the meeting agenda, and I noticed that the issues in there focused on air quality, economic impact, fuel supply, traffic and transportation. In the limited time we had, we took some time to put together a package that's customized to deal with and to try to explore the issues associated with air quality. The whole issue of displacement seems to be one that is debated here quite actively. What I want to try to do is spend a little time on that and if possible focus on that as much as possible. We can get into the other issues, but I've got some documents here that we can pass out for people to review as we're going through them. I don't know what's typical here. Is it okay to pass documents out or make them available to the rest of the audience?

CHAIRMAN COOPER:
Sure, that would be fine. If you would like it entered into the record, can you pass on one copy.

LEGISLATOR CRECCA:
A copy for the Clerk.

MR. POTTER:
Let me start first on page 2 and talk, first of all, about some basic facts associated with the project. Kings Park Energy is a simple cycle generated facility. If you were to compare this against any other plant operating today, it would, for a simple cycle generating facility, be the cleanest of its type in the world today. It just so happens that we have this same facility,

although a five-unit installation versus six that we're proposing here, under construction in Wallingford, Connecticut. When that plant is operating, it will be the cleanest one. This is a close cousin to it.

The other significant element to the emission's profile and the quality benefits here associated with the project is obviously the type of fuel it burns. In this case, the facility is going to use primarily natural gas, a source from the Iroquois gas pipeline, which borders this site.

We talked about displacement, which is the second bullet there. The general concept is that this facility will in the new competitive market cause the older existing fleet of fossil oil and gas fired facilities to operate less. Now let's just hold that thought and go to the next one.

The next thing we have to do as it relates to the air quality issue associated with it specifically is we have to buy offsets. In order for us to be granted an air permit for this facility, we have to go out and acquire emission offsets. We actually have to buy more emission offsets than the facility would produce. We're going to talk about that in more detail, but I wanted to summarize those two thoughts first.

If you go to the next page where we talk about a comparative analysis, this is intended to show people the magnitude of the difference between our production of emissions versus other facilities. The comparison we do here is with Northport. Northport is not a particularly clean plant, but as plants go, it's actually cleaner than the Barrett Station or Far Rockaway or Port Jefferson. If you do a comparison with those facilities, the actual magnitude of the difference would be greater here. But what this bar chart does is it says, if you operated 300 megawatts of our plant for 4,000 hours and then 300 megawatts of a Northport facility for 4,000 hours, these would be the comparative emissions.

Let me use this an example here. For sulfur you would have almost 4,000 tons of emissions for the Northport facility. For our facility you have 52. For NOx, which is a critical emission here on Long Island and elsewhere in the east, you have 1,120 tons per year from the Northport facility and 55 from ours. These are significant differences in total emissions, but again what the intent here is to show that magnitude of a difference so that we can explore the other issues associated with displacement.

If you go to page 4, this is where we're going to start to talk about the specifics of displacement. Any region has to have sufficient generating capacity to meet the peak demand projected in any given year, plus have a safety margin or what they refer to as a reserve margin. That reserve margin is there to deal with unexpected occurrences such as the unscandaled outage of a generating facility or the loss of transmission lines, which happens on occasion. So that reserve margin is really an insurance policy, if you will, to deal with unexpected outages.

However, during most of the times of the year, such as a day like today, all the generating units are not required. As a matter of fact, on a day like today, perhaps as little as two-thirds and maybe not even that much is required to serve the needs of Long Island.

If our plant is constructed during a day when all the generating units are not needed, the only way our plant can operate is if it displaces some other plant from creating that same unit of electricity because you can't produce more electricity than the region needs. Therefore, when a more efficient, lower cost resource such as ours operates, it has to displace some other plant from operating.

Let me throw some numbers out and see if I can illustrate this way. If you have 4,000 megawatts of demand in one hour, let's say this hour, right now there are 4,000 megawatts of demand for electricity, and you've got 5,000 megawatts of available generation and another 1,000 megawatt plant is added to the system and it operates, it has to displace 1,000 out of that 4,000 megawatts that were operating to serve that 4,000 megawatt load, or you have excess energy that simply can't be used. It doesn't happen in this system. There is no pocket to put electrons in. It's an instantaneous commodity. Therefore, if you

create a unit of electricity it has to displace another unit from creating that same one. The only time this facility can be additive is during that occasion where every last unit on Long Island is required to serve load. That is the only time. If our unit wasn't available during that hour, you would have a blackout.

CHAIRMAN COOPER:
If I could interrupt for a second, can you give any estimation as to how many hours per year or how many days per year it would be additive as opposed to displacement?

MR. POTTER:
A system very rarely hits those kinds of peaks. If it does, there is zero reserve margin. If you have a situation where we are the very last unit to operate in a given hour, then there is no reserve margin, but those peaks might occur maybe a day or two days or three days in a year. That has never happened on Long Island before, because you have to have some reserve margin. Theoretically, we are always going to be displacing a resource on Long Island, unless you're in a situation where there is no reserve margin and every last unit is used.

LEGISLATOR CRECCA:
Mr. Chairman, on that point. Jim, I have a question for you. One of the things I was – and I could be misinformed, I don't know – but those times when we're really operating at peak, aren't we pulling off the power grid from places other than Long Island? Aren't we pulling power from upstate, New York and things like that? We don't buy – LIPA, for example, doesn't buy all of its energy right here from Suffolk County or Nassau and Suffolk.

MR. POTTER:
You're absolutely right. Actually, out of the 5,000 megawatts or 5,300 megawatts that LIPA has available, about 1,500 megawatts of that is import capability across from cables coming through Con Ed service territory, and it's bringing in power from the other parts of the state. As a matter of fact, 30 to 40 percent of the energy used on Long Island is actually imported from other regions of the state. That's imported consistently 24 hours a day because it's lower cost.

LEGISLATOR CRECCA:
Now I'm going to ask you this question again, and I ask you so that maybe I can understand a little better. Granted, I totally agree with you that we need more clean burning plants like the one you're proposing on Long Island; there's no question about it. I would like to see plants like Northport, like Port Jeff, the ones that are dirty burning, for lack of a better way of putting it, replaced with clean burning generation. But the question I have here is I understand the displacement argument, but if we're importing 30 to 40 percent of power from upstate, are we really displacing? If Northport is still running, for example, at full load and so is Port Jeff and other plants throughout Nassau and Suffolk County or let's even say throughout Queens and Nassau and Suffolk County, doesn't it become additive anyway?

MR. POTTER:
No. Actually, the import capability runs basically 24 hours a day. It's importing energy almost 24 hours a day or roughly 1,500 megawatts. Northport, Port Jeff, and Barrett, their average capacity factor is less than 50 percent. They typically, with a couple of exceptions, during on-peak hours only, which is when our plant would except to operate here on Long Island.

So there are some basic physics associated with electrons. You can't produce more than is needed in a given hour. If we produce one unit of electricity here, some other unit wouldn't be producing it because you can't put more electrons on the system than are required, regardless of whether it's import or generated here on Long Island.

LEGISLATOR CRECCA:
But if it's –

MR. POTTER:

Maybe this will help. We're not suggesting that we're going to be displacing import. The primary reason for that is the imports are pretty much competitively priced power. That's why those cables are loaded 24 hours a day. That power coming across those cables is low cost stuff.

LEGISLATOR CRECCA:
Okay, I guess that's the question. I was just going to say I think it's a matter of the market. I guess when LIPA goes to buy their energy, there are certain contracts that they have that they're buying no matter what, and that's a given. You're saying the power that we're buying off the grid, so to speak, or we're buying from upstate and through the New York City transmission lines, for lack of a better way of putting it, you're saying that's more competitive than the energy that we're producing here on Long Island.

MR. POTTER:
Absolutely. As a matter of fact, the energy that comes across those cables consist of really three different types; one is Indian Point, which is a nuclear facility. The energy cost from a nuclear facility is very, very inexpensive. Two, it's preference power, which is hydro capacity from the Niagara system. You can't compete with hydro. The third is general wholesale purchases that LIPA makes from other parties, from northern New Jersey, from what's called the PJM, Pennsylvania, New Jersey, Maryland pool, from western New York. This is primarily low-cost power that people on Long Island cannot compete with. That's why Northport, Port Jeff, and Barrett don't run 24 hours a day. They run to serve a load on an hourly basis, which is typically less than 50 percent average in a year because they're not as competitive as imports.

LEGISLATOR CRECCA:
So basically to wrap up my point, what your position is is that you're displacing – the energy that you're producing, the megawatts, are going to be replacing someplace here on Long Island.

MR. POTTER:
That's right. Let me give you a good example because this may help. If you go to the next page, what this is intended to do is trying to illustrate, because it's not a simple issue, it doesn't look that simple, but what we're trying to do is illustrate one hour of displacement. Let's look at the heading first. This is a scenario where there are 4,500 megawatts of demand, which is a fairly high load day. That's a high load on Long Island. If you go to the left, the pie chart, that's without Kings Park Energy. That is what the map's model predicted, which served load during that hour when demand was at 4,500 megawatts. It said that the left half, which is – what color is that, peach?

LEGISLATOR CRECCA:
I think salmon.

CHAIRMAN COOPER:
I don't want to weigh in on this.

MR. POTTER:
The salmon color left half is primarily those imports that we were referring to. Port Jeff is that purple section. The light blue is Northport. Yellow is Barrett. The darker but still not dark color blue is what are known as other gas turbines. It's really combustion turbines burning oil. They're not gas turbines. They are combustion turbines burning oil.

CHAIRMAN COOPER:
And those are the dirtiest of them all?

MR. POTTER:
Quite honestly, I don't know.

CHAIRMAN COOPER:
I'm just wondering why when you look at these charts you have KPE displacing the other gas

turbines as opposed to displacing Northport or even Port Jeff.

MR. POTTER:
Well, that's not actually what the chart says. If I could just go to that. First of all, the 593 megawatts, it says other gas turbines. Those are turbines are located at Wading River, over in Holtsville. These are units that burn probably JP40, which is a jet fuel.

Let's go to the scenario where it says with Kings Park. You have roughly the same amount of imports. Port Jeff runs the same; 1,100 megawatts in Northport, Barrett runs the same. What happens? What happens here is there is a smaller amount of operation of the combustion turbines. That doesn't necessarily imply that we come in from a cost standpoint right under the combustion turbines. In all probability, we're going to come in under right after the imports. We think we're going to be less expensive than every other unit on there except for the imports. It's just saying that those units run less. The combustion turbines burning oil run less. In that given hour, it shows the total reduction in emissions. In that one hour, the total reductions for NOx was 1,804 pounds. For sulfur it was 1,000 pounds. Then for carbon dioxide it was 251,000 pounds. This is what the model predicts. Then it does that same thing for every hour. We show a couple of other scenarios here, which we can get into if you'd like.

CHAIRMAN COOPER:
But again unless these are not projections, if you're just giving pie chart examples –

MR. POTTER:
No this is a result that the model came up with. When loads were at 4,500 megawatts, this is the result that the model came up with.

CHAIRMAN COOPER:
I'm just wondering why Northport, for example, an old plant, a very dirty plant, I assume a very inefficient plant, therefore, a more costly plant, I would assume that the first decrease in generation would appear in, let's say, at Northport, as opposed to the gas turbines. I'm just trying to –

MR. POTTER:
Actually, the gas turbines are very, very inefficient. These combustion turbines, they're all Pratt & Whitney combustion turbines. They are very, very inefficient. Northport, as far as generation costs go, Northport is probably one of the lowest cost units on Long Island versus Barrett, Port Jeff, Far Rockaway.

CHAIRMAN COOPER:
So even though it's very polluting, it's very dirty, it's very low cost.

MR. POTTER:
This is compared to the other units on Long Island. You have a fleet of old, dirty, inefficient facilities. So when you put a new, clean, efficient plant on there, we're going to displace some other unit every hour. Now I have to add, no one within the Department of Environmental Conservation or any air scientist I would suggest to you would argue against these results. These are known facts. There are a number of environmental agencies that also fully agree with this study procedure and the resulting study results of improved air quality.

CHAIRMAN COOPER:
But the way, Allen, if any of you would like to jump in at some point as we're discussing a particular issue –

MR. POTTER:
Actually, if we could just flip this, I want to go to this right here.

LEGISLATOR COOPER:
What page is that?

MR. POTTER:
That's page 8. What this does is it summarizes the results.

CHAIRMAN COOPER:
What is the headline on that page?

MR. POTTER:
It says air quality continued. It's page 8, lower right hand corner is where the page numbers are. This is what the Lexecon analysis, which we have attached for your review, concludes that as it relates to reductions in power plant emissions on Long Island, the reductions are fairly significant as a result of operation of our facility. In this case, there was a 17 percent reduction or almost 1,100 tons of emissions reduced as a result of operating our plant, almost 3,000 tons of SO2 and 202,000 tons of CO2.

If I could then go to emission offsets, I think it's important that we explain what emission offsets are so everyone can understand them. Remember there are two components, two air components associated with our facility, displacement and offsets.

MR. LEON:
Mr. Chairman, before we move off this issue, I would like to make some comments, and then we can go to the next issue, if that's okay. Thank you, sir.

Townline Association has had certain meetings with LIPA officials with regard to this theory of displacement. We are not experts, and I was not able to make beautiful charts and diagrams. I apologize for that. My crayolas melted. However, in our discussions with LIPA officials as late as this afternoon at one thirty, we were assured that LIPA does not believe that displacement is a reality and if, in fact, it does occur, it will not happen for at least eight to ten years. LIPA said that in no way are they going to purchase the KeySpan plants and let then be idle. They are going to run those all the time.

In the initial pages of Mr. Potter's PSS, he talks about the current resources on Long Island with regard to electric generation and that we are unable to meet the demands by the summer 2003. That tells us that we not only need what we have, but we need more. If we need more, more is not going to displace what we already have. It doesn't make sense.

With regard to the Lexecon air study, the Lexecon air study was developed by GE. GE is the seller of the turbines. Mr. Potter was very careful in our last meeting by talking about Lexecon and after each sentence said, "This is a fact. This is a fact. This is a fact." If you look at the minutes, you will see that. A fact starts with a postulate, develops into a theory, and beyond any reasonable doubt, if there is no confusion, it becomes a fact. What Mr. Potter has here is nothing more than assertions. A plant like this has not been built in Commack. Samples have not been taken. He is relying on modeling.

With regard to modeling, we go back to Lexecon. Do we expect GE to come up with a protocol that is going to give it a negative spin for its turbines? No. Mr. Potter last time also said that this is an industry-accepted situation. Well, let's look at the industry. Who is the industry? The industry is GE selling the turbines and the generators buying them to produce electricity. So the Lexecon air study is merely I liken it to nothing more than what you're handed when you walk into a car dealership as a new brochure. What it is is an industry-accepted marketing tool. There is a difference.

With regard to Mr. Potter's modeling, I have here a copy of a document that appears in the Pennsylvania Department of Environmental Protection and in the New Jersey Department of Environmental Protection. PP&L that Mr. Potter said last time, by the way, and that he was very proud to work for, okay, has a Martin's Creek station. I will read you an excerpt from that document. As a result of the computer dispersion modeling of the effects of the company's Martin's Creek station located in Pennsylvania on ambient air quality in New Jersey, the EPA was forced to re-designate Warren County, New Jersey, to a non-attainment status for sulfur dioxide effective February 1, 1988. However, the EPA withheld regulatory

action until the EPA and New Jersey DEP could agree upon an applied computer model that would more accurately predicts the actual ambient air quality. The company had to negotiate, and there was evidently some litigation that was pending at the time of this writing.

With regard to Mr. Potter's modeling, I question the authenticity of it. Even if it is proven to me that the GE protocol is appropriate, what input was given to the protocol? Obviously, if you put garbage in, you're going to get garbage out. We asked for the input. We were told that we could get it at some point in time. We have never received it.

LEGISLATOR CRECCA:
When you say input, do you mean the data that was used to generate the test?

MR. LEON:
Affirmative. Now if you read Lexecon very carefully, you'll find out that one of the background air quality points that was used for Lexecon is Eisenhower Park. Eisenhower Park is immediately adjacent to the Nassau County recycling facility. By using the air quality there, the base is actually an elevated situation. The second point was Babylon. Babylon is the home of the Long Island Rail Road freight yard and passenger yard where diesels idle all night long. Again, it is not a fair representation of Long Island background count.

Let's go to Commack, Kings Park, since this is where we live and breathe. The modeling has to take into account where we are right now. Right now on that site there are zero emissions. Anything that's produced is more than what we have right now.

With regard to Mr. Potter's comments about the turbines, last time we spoke, we agreed, and I think you will also agree that it is an accepted situation that the turbines are a relatively clean burning situation when on natural gas. The issue here is not the turbines or the fact that they are cleaner than what we already have. We understand that. The issue is where to appropriate those sites so that we're not putting the health and welfare of the community in danger.

LEGISLATOR CRECCA:
On that point, Allen, because you read my mind. That was the question I was going to ask you. Assuming, and I'm going to ask you to just assume the fact that we need more power plants, or that there are going to be some more power plants added to Long Island and forgetting about location of those right now, you would agree that we want these types of power plants that burn natural gas and have these types of turbine engines; correct?

MR. LEON:
Until renewal type energy is more efficient and appropriate, then from all indications that is the most appropriate bridge between now and when we can do something else that doesn't cause any contamination and we don't burn fossil fuel.

LEGISLATOR CRECCA:
Obviously, we would like to replace the existing plants we have with these types so, again, we're burning cleaner.

MR. LEON:
Exactly.

LEGISLATOR CRECCA:
I think the crux of the argument is that Commack is not the right location for this power plant.

MR. LEON:
That's the key. The site is not right.

MR. POTTER:
For what reasons, Allen? Is it emissions? Is it noise? Is it visual?

LEGISLATOR CRECCA:
What I would suggest, and I don't mean to jump in, but like the Chairman said, I think it's good if we go point by point. It's my fault. I sort of brought us out of that focus, but let's concentrate on the site and things like air quality now. Maybe we could try to wrap that up.

CHAIRMAN COOPER:
While we're on this topic, that's how you foster dialogue.

MR. LEON:
Mr. Chairman, when you discuss dialogue, we came here the first time, and we came here again the second time to address the committee. So we will continue to do that.

MR. POTTER:
So you're not going to answer any questions I have?

MR. LEON:
I will discuss it with the committee.

MR. POTTER:
Can I comment on some of the things that were stated earlier?

CHAIRMAN COOPER:
Yes.

MR. POTTER:
There was a comment earlier where you stated that LIPA is going to continue to run their generating plants all the time. They don't run all the time now. They run less than 50 percent of the time on average, if you look at their historic operating characteristics.

And, yes, they are currently able to meet the demand, but even LIPA or even the people that you met with will confirm that they have some very real concerns as to whether they will be able to continue to meet demand.

What does that mean as it relates to the issue of displacement? New generating resources are going to be needed to serve incremental demand, but when you bring a new unit and install it on Long Island, it's going to displace older, dirtier plants. No one can argue otherwise that studies the facts and studies these issues. I realize you're trying to discredit the Lexecon analysis using GE's map's model, but this is a model that the Department of Environmental Conservation and the Department of Public Service has held up as the model for analyzing this issue and the model that most effectively replicates a bid base system, which we have here in New York and New England and PJM Maryland pool. That's the next point.

If you really think that GE has just created this model so that they can sell turbines, I find that amazing. First of all, GE doesn't need any marketing tools right now to sell turbines. They have sold these turbines out for the next three to four years.

Secondly, they have a consulting group that does nothing but modeling; it has nothing to do with their turbine sales division.

Third, I have no idea why you brought up Martin's Creek. I don't understand why you brought it up. It has no relevance whatsoever as to why it is we're proposing a facility here on Long Island. The bottom line is there is a lot of new generation being built in the Pennsylvania, New Jersey, Maryland pool, and that generation will probably compete with our Martin's Creek.

As for asking for data and never getting it, I have to turn around and ask Mr. Eisenbud – is Mr. Eisenbud here?

CHAIRMAN COOPER:

He's in the back.

MR. POTTER:
Fred, it's my understanding that Andy {Gansberg} from Nixon Peabody sent you disks containing all the input data that you were looking for as part of your filing. Is that true?

MR. EISENBUD:
I –

LEGISLATOR CRECCA:
You have to come up to a mike, otherwise it doesn't go into the record.

MR. EISENBUD:
We can't open the –

MR. POTTER:
So they received the file. They just can't open it.

MR. EISENBUD:
It might be easier because what we wanted to do was to see the assumptions that went into it to see it in hard copy. It was sent electronically, and we have not been able to open it yet. If we could get hard copies so we could actually see the assumptions made, that's why we wanted it. Our expert Paul Eisen is here, and we're trying to get him to be able to look at it.

MR. POTTER:
The material has been sent. They never expressed any concerns at opening the files. If they had, we would have loved to have sent it to them in hard document. Most consultants prefer to get it in electronic format so they can manage that more effectively through their own analysis. So that's what we did.

CHAIRMAN COOPER:
Northport being one of the dirtier plants, you said it was relatively cheap energy. Is that correct?

MR. POTTER:
As it relates to KeySpan's own generating assets on Long Island that were formerly LILCO generating assets, Northport is one of the lower cost units on Long Island.

CHAIRMAN COOPER:
So that if market –

MR. POTTER:
As older plants go.

CHAIRMAN COOPER:
So then there would probably be other plants that would be shut down before they would shut down the Northport plant.

MR. POTTER:
Well, we have never stated that these plants will get shut down. We have never stated that. I think I said that last week. What we have stated is that they will run less. When they run less, and our's displaces that operation because of the magnitude of the difference between our emission's rate and their emission's rate, you actually create reductions in air emissions.

CHAIRMAN COOPER:
Sorry, to interrupt, but again if the Northport plant, if that's relatively cheap energy compared to other plants on the island, why would that run less?

MR. POTTER:
I'm not saying just Northport will run less. In any given hour it could be combustion turbines. It could be Barrett, which is very inefficient and polluting. It could be Far Rockaway. It could be Port Jeff. This is a big base system. Every day the operators of those facilities have to submit a bid to the New York independent system operator to determine whether they will run next day to serve load. So the most expensive unit normally doesn't run.

LEGISLATOR CRECCA:
Following up with what Legislator Cooper said, I think the point he's trying to make, and correct me if I'm wrong, Jonathan, but if Northport is running cheaper than Kings Park –

MR. POTTER:
No, I'm not suggesting it runs cheaper than Kings Park.

LEGISALTOR CRECCA:
I guess the question is, what you're saying happened is that Kings Park has to be running cheaper than some of those other plants.

MR. POTTER:
The only way our plant would run is if it was less expensive. If it was the most costly unit out there, it wouldn't run.

LEGISLATOR CRECCA:
So you're anticipating the Kings Park Energy will be producing megawatts at a lower rate than the market out there now.

MR. POTTER:
That's correct.

MR. LEON:
I'd like to comment on that very quickly. I don't want to interrupt Mr. Potter. He's on a roll. With our discussions with LIPA there is more to generating electricity than just cost. In other words, LIPA has developed pockets of electricity. Even though your cost may be less in, let's say, Kings Park or Northport than a Rockaway situation or somewhere else, it's very difficult to get the electric to that place. As a result, you end up with a pocket of cost of electric generation, which is different than just an overall view of the whole situation.

LEGISLATOR CRECCA:
Jim, what do you say to that? Obviously transmission lines have to be able to handle the load so they can't buy – if Northport and Kings Park Energy for example are selling it the cheapest, the lines can only hold so much from that area. What do you say to that? It makes sense.

MR. POTTER:
Two things. First of all, the map's analysis takes into consideration where the generating plants are located, the transmission constraints on the system, fuel costs, and a whole host of other components, emission offsets because people have to buy emission offsets. They have to buy emission credits during what's called the ozone season. Those cost money. Those play a role in whether someone is a lower cost asset or not. So this model, the mass model, takes into consideration those transmission constraints. That's factored into the results here.

MR. LEON:
With regard to the comment on Martin's Creek, the reason that I introduced it into the minutes tonight is because the computer modeling of the dispersion was skewed. It was inaccurate, and as a result created a situation in New Jersey that was in exceedence. That was done by Pennsylvania Power & Light. I brought it into the minutes tonight to show what the history is with Pennsylvania Power & Light, vis-à-vis modeling and also what you could do

to skew a model if you have to.

CHAIRMAN COOPER:
If I could interrupt for a minute, I'd like to introduce Gordian Raacke. He's Executive Director of the Citizens Advisory Panel who does consulting for the Suffolk County Legislature. Could you come to the lectern? Would you like to weigh in on this at all?

MR. RAACKE
Thank you. Just a couple of things that went through my head here when we talked about displacement or heard the gentleman talk about displacement and the map study. I would stress that the model or the output data of the model is largely dependent on the input data. I have not review the map's model or the input and output data. I would like to actually get a copy of that from Mr. Potter, if possible electronically.

I'd like to stress that the one very important set of assumptions, of course, is fuel prices. In the study here there is a sentence where it says that these prices were then escalated in accordance with NYSERDA, that's the New York State Energy Research and Development Authority's, fuel price forecast. I don't have to tell you that fuel price forecasts are subject to a lot of guessing. As we can see now with the prices of oil and the prices of natural gas going through the roof the last couple of years, the experts didn't think that was going to happen just some years ago. So I guess in a general sense, we should all be aware of the fact that forecasts are forecasts. It's just that. They're an attempt to predict future events, and they're subject to certain difficulties in predicting the future.

MR. POTTER:
Could I just talk about the fuel price forecast? First of all, we totally agree that output is definitely dependent on input. What you try to do in any legitimate forecast with any legitimate forecasting or modeling tool is you try to bound the scenarios. The NYSERDA information, which you're probably familiar with who NYSERDA is, we have to use their data. So when we ran the Lexecon analysis, we used NYSERDA data. The NYSERDA data was about a year and a half, almost two years old now. It had very low oil prices – actually it had higher than average oil prices and very low gas prices. So it resulted in our plant running about 60 percent of the time.

To show the opposite scenario – not to show the opposite, but to show a very real time scenario, what we did is we took the actual forward prices on the day that the analysis was done, they went to the "Wall Street Journal" and took the actual forward prices for oil and gas and all commodities, coal, on and on, and we ran that scenario as well.

So what you have here in this package is the Lexecon analysis with two different analyses. One being the NYSERDA data. Two being actual forward prices for fuel. You can't get any more accurate than that, the actual forward prices for fuel. We included the Lexecon analysis so you can review it. It shows under one scenario our plant running 40 percent of the time in a year, which is roughly Monday through Friday, roughly 16 hours a day, and then it shows 60 percent operating time period, which was, again, using the NYSERDA data, which is probably running five days a week, Monday through Friday and Saturdays. So we found the two different pricing scenarios so that we could make this a much more accurate analysis of the real circumstances.

LEGISLATOR CRECCA:
Jim, a question for you. We're talking about air quality, but we're talking about for a large area. You have, obviously, been involved with and know of other plants similar to this one that have been put up in other places. What is it going to do for the immediate area? Let's talk about Commack, Hauppauge, Kings Park.

MR. POTTER:
I'm glad you asked that because an overriding theme of Mr. Leon's comments is that the proximity to a power plant is a bad thing.

LEGISLATOR CRECCA:

I'm talking about air quality now.

MR. POTTER:
I know, from an air quality standpoint, the proximity to a power plant is a bad thing. Actually, just the opposite is true. The proximity to a power plant is not a bad thing from an air quality standpoint because emissions from power facilities react in the atmosphere. Some of the emissions as they relate to one particular problem, ozone – let me explain this for a second. Long Island is in attainment for essentially all the criteria pollutants, such as CO, SO2, NO2. It is not in attainment – meaning attaining national ambient air quality standards for lower level ozone. On a hot day that whitish haze you see on the horizon is lower-level ozone. It occurs here at a rate that is not healthy, meaning it has a severe non-attainment status. That is not healthy.

That ozone is actually a function of two constituents, volatile organic compounds and nitrogen dioxide, NO2. Those two react in the environment, in the air. They react by a means called photochemical reaction, which is why low-level ozone only occurs on warmer or hot days, not in the wintertime. The sun causes the VOC's and the NO2 to react in the environment and create O3, low-level ozone. It takes time for that to happen. So actually most of the low-level ozone problem is not a problem that origins, per se, here on Long Island. A lot of it is from automobile traffic, which is a much larger contributor to air quality problems than power plants, houses, and that sort of thing. But those are sources that are a long ways away from Long Island.

Let me talk more specifically about what we have done because Townline, and appropriately so, has pointed out a concern with air quality as it relates to Kings Park and Commack. So we have done a dispersion modeling analysis, again, using standard protocol that's accepted by the DEC. We have modeled and created a matrix of 4,200 different model points and created what's called an isopleth. If you ever look at a weather map and you see all these lines, that's an isopleth. What that isopleth shows is that with the operation of our plant there is a reduction in power plant emissions and PM10, which is another critical constituent that you pointed out, Mr. Leon, in Kings Park and Commack. When you take all the model sources in New York, including Long Island, and you operate our facility, you see a reduction in power plant emissions, not just on Long Island, but at Kings Park and Commack. We will be releasing the results of this study here shortly. We're in the process of drafting that report right now, and we'll be putting it on our website as well.

So this plant from an air quality standpoint creates air quality improvements through reduction in power plant emissions for Kings Park and Commack, as well.

MR. LEON:
I'd like to stop the discussion here for a second. I have Mr. Paul Eisen here, who is our air quality expert. He has a couple of brief comments, and then we'll get into particulate matter. Mr. Eisen.

CHAIRMAN COOPER:
Sure.

MR. EISEN:
Good evening. Many of you don't know me, so I'll take a moment to introduce myself. I'm an air quality scientist, and I've been one for about 30 years. I'm a certified consulting meteorologist. I'm certified by the American Meteorological Society. I've been heavily involved in air quality issues on Long Island for most of that time.

I'm not in agreement that an air quality scientist wouldn't dispute what has been presented here tonight. I guess we just have to talk about it a little more and discuss these issues. I'm a scientist, not a marketing person.

I think it's important to bring out the facts as I understand them and just lay them out.

There will be periods of time in the summer when there is high demand for electricity when this plant would operate along with all the other plants on Long Island. Those times would be periods when ozone might be high, and people might be adversely impacted. You asked a very good question before. How often is that going to happen? I don't think we have seen yet in the analyses that have been presented how often that might happen. I think it might happen quite frequently and exacerbate conditions.

I do agree that the emissions from this plant will be small compared to the existing facilities on Long Island, but none the less, they will add to the burden at the worst time. This is a peaking unit. It's designed to operate when demand is high and all the other units are stressed. There will be hours of additional impact on Long Island and all the plants will be operating. The capacity factor for Barrett and Northport is an annual capacity factor. During peak periods, and I worked for LILCO for a number of years so I'm familiar with how they operate their system, all the plants operate. If they're not operating, it's because they're broken.

I think it's important to point out that you can't hide that fact. The Lexecon study doesn't deal with it at all. It doesn't talk about those peak periods. The summary that you see on page 8 is tons per year reduced. Tons per year reduced is great, it's a model, and it depends on the input, but the critical issue here is on those hot summer days when we have unhealthy air on Long Island, is this plant going to make things worse? The answer to that is, yes. It's just, how much worse?

MR. POTTER:
Can I respond to that?

CHAIRMAN COOPER:
Yes.

MR. POTTER:
The absolute highest peak that's occurred on Long Island right now was during the summer, I believe, it was July 14, 1999. The peak that occurred on that day was 4,593 megawatts. That's the absolute peak. They project much higher peaks now because, of course, you've had two years since then of load growth, but the case that's been modeled here, this 4,500 megawatts case, is about as close to a peak as you can get. In that scenario, there were units that were displaced. These units, as indicated in those pie charts were the last units that tend to run on a very hot day, which are these combustion turbines burning jet fuel. So that's a pretty good case that illustrates the point that this gentleman just raised a concern about.

Secondly, this plant is characterized as a simple cycle facility. Historically, simple cycle facilities were peaking units. However, this is a little unique because this is a peaking unit whose efficiencies are far superior to any of the fossil units on Long Island, which means it's going to run more like what's called a mid-merit unit or again as the model would suggest between 40 and 60 percent of the hours in the year. That day where we're additive, in the event that we are additive, is more than offset by the reductions that occurred during those days when we're not additive.

What I would encourage Townline to do, perhaps, is sit down with us. We can provide the source data. We can go over the model with our experts, and we can see if we can reconcile these issues. If that doesn't work, then there is a hearing process where Townline's experts can dispute the studies that we have conducted. Our experts can file our own set of testimony and dispute the assertions that Townline has as it relates to the reliability of these models and the accuracy of them. They're going to also have to dispute that with the DEC. That's where issues like this are reconciled, in front of a judge, in front of a jury, and everyone decides whether this model is accurate and relevant or not.

MR. EISEN:
I just want to make another comment on the proposed power plant. The emissions that are

estimated for the proposed power plant in my mind, from what I've seen by the preliminary scoping statement and the technical documents supporting the preliminary scoping statement have not been adequately supported. I am concerned they have been underestimated.

For instance, with respect to particulate emissions, which are particularly a concern beside ozone on Long Island from a health perspective, particulate emissions are emitted by the plant directly. They form shortly after they're emitted by the plume leaving the power plant stack and having condensation occur as the plum mixes with the atmosphere. I haven't seen a break-down on how the emissions were projected for this facility, but I'm a little bit concerned that they didn't include in those projections emissions of particulate from the condense as the plume leaves the stack.

MR. POTTER:
Actually –

MR. LEON:
With regard to particulate matter, I would now like to bring Dr. Walberg to the microphone and give just a quick shot at his experience with particulate matter and emissions.

DR. WALBERG:
I'm a pulmonary and critical care physician board certified in internal medicine, pulmonary diseases and critical care medicine. I have been in practice on the south shore of Long Island for 15 years. I graduated from Cornell University undergraduate State University of New York Downstate Medical School. I did my internal medicine training at Long Island Jewish and my pulmonary and critical care training at a combined program between Montefiore Medical Center in the Bronx and (inaudible) in the Bronx.

I conducted a review on fairly short notice of the American Lung Association's position and the documents that they have compiled. I am a little disturbed by the tables noted absence of particulate matter as an emission because particulate matter is – let me read because I was on call last night.

Particulate matter is a type of pollution that consists of complex and varying mixtures of particles suspended in the air we breathe. A principle component of PM are aerosols that are formed in the atmosphere from gaseous combustion by-products such as the volatile organic compounds, sulfur dioxide and nitrogen oxides. Fine particles are classified as being 2.5 microns in diameter. A hair is 75 microns in diameter for comparison. The EPA tracks both the fine particles, which they call P2.5, which are those that are less 2.5 microns, and P10 less than 10 microns. Fine particulates are of particular concern because they bypass the lung defenses and are inhaled deeply into the lungs where they can be both absorbed by the blood stream or sit there and not be cleared causing inflammation.

There has been a recent study showing a 17 percent increase in mortality risk in areas of higher concentration of small particulates. By the way, I believe that the combustion of natural gas actually has more of the small particles, which is something they tout, but I'm concerned about.

Other recent studies have shown chronic exposure shortened lives by one to three years. Dr. Samet of Johns Hopkins showed an overall mortality increase of 0.5 percent for every 10 micrograms per cubic meter increase in PM10 less than 10 micrograms size particles on the day before death. This is the death that you see the next day. There was a theory that this is a harvesting of people who are about to die that several studies have disproved showing that the rates continue on without dropping. You'd expect if you killed them off, that the subsequent rates would go down. So this is a continued effect where particles are associated with increased death rates.

The most disturbing thing is that two recent studies that are reviewed show that there is a relationship between the particle concentration and death rates. That means the more you have, the more death you have, and that there is no bottom. Any particulate matter can

result in a higher rate of deaths. So all combustion of fossil fuels is dangerous.

Of course, the most effected, and I'm going to summarize now, are the elderly, children, and people with disease. People with heart disease die more frequently when particulates go up. People with lung disease die more frequently. There's more asthma. There's more hospitalization. There are more requirements for medical treatment. There are more symptoms.

I'm not quite sure why this isn't something that's not tracked when they talk about emissions. From the American Lung's point of view and mine, any fossil fuel combustion is potentially dangerous. Power plants are a source or a significant source; certain transportation is also a source.

Our feeling would be that conservation efforts and renewable energy sources should be highlighted. My feeling is that any siting of a needed power plant, that you really shouldn't have more production than you need, which is a point that Allen has made many times. We should really study how much we need before we start adding and really be sure that what we add, we need because any particulate matter will cause death.

Ozone is the other health concern. I certainly think it's prudent to site plants far away from people. I'm also concerned with the idea that they might actually burn oil, which they discuss as something they have in reserve. But I don't have any assurances about exactly what level of oil they might burn. A lot of these assumptions go out the window. That's frightening to me. I live in the neighborhood.

MR. POTTER:
Which assumptions are you referring to, Doctor?

DR. WALBERG:
No, I don't understand – you have oil in reserve. You put it in a deep recharge area, and you store it, however safely you store it –

MR. POTTER:
We're going to talk about that later. Let's just stick with air emissions. Are you saying that our assumptions didn't include oil firing?

DR. WALBERG:
I don't understand that they do.

MR. POTTER:
They do. Absolutely. They actually assume the absolute worse case scenario is 720 hours a year. Let's get that on the table right now, number one. Number two, first you say gas is not good because it's less than 2.5. Then you say oil is not good. Which would you prefer we burn, oil or gas?

MR. LEON:
Well –

MR. POTTER:
No, I'm asking the doctor. Doctor, which would you prefer we burn, oil or gas? Well, what is it? I also have to add that people can build all the generation that's needed, but only that generation that is required gets generated. So if the new markets result in 10,000 megawatts being built here on Long Island, that doesn't mean 10,000 megawatts are going to run. The only units that run are those units that are required to be produced to serve load. You can't produce more than is needed. So Mr. Leon's objective of studying the need doesn't really matter because you can only produce that which is needed in any given hour. You can't produce more than is needed. That's number two.

MR. LEON:
Mr. Potter's comments on oil usage; these are quotes from his own preliminary scoping statement. I didn't make this up. I'm reading from the PSS. This is section 5.0 fuel supply. The actual period of operation on natural gas will depend on electricity demand and natural gas pricing and availability in the area. Mr. Potter goes on further on 5.2.7 and says that the facility will operate on alternate fuel and will depend on the economics between natural gas and oil. So again, what we have here is the corporate drive for profits, the return on investment is being superceded over the health and welfare of the community.

MR. POTTER:
That is not true at all. Let me explain something here. First of all, our air permit is going to limit us to 720 hours maximum run time on oil in a year. That's number one. Number two, there are a number of facilities on Long Island that have the ability to run on oil a lot more than that similar to ours that don't run on oil because it's a low sulfur distillate product that's very expensive. Number three, we do not have the practical ability with this facility to run continuously on oil for 720 hours in a year.

But let me just talk about a few other issues. The points that Dr. Walberg make are true, particulate matter is not a good pollution, neither is sulfur, neither is nitrogen dioxide, or any of these things. But this facility is not going to increase the amount of PM10 in the environment. I'd like to ask Dr. Walberg if this facility resulted in the decrease of PM10, would you support it? No? You were just up here complaining about PM10 emissions, and if it decreases, you won't support it?

DR. WALBERG:
Siting issue.

MR. POTTER:
We can go to siting later. I'm trying to determine whether our solution which is, number one, to show through our permitting process that no adverse health impacts result from this facility, and, number two, that there are actually reductions in the different criteria pollutants, whether that will cause you guys to support this facility. What I'm hearing is it won't.

MR. LEON:
Why are we concerned about emissions, about particulate matter? Do I care? Why do I care? Well, here's why I care. This is a toxic targeting map. It was completed to a five-mile radius of the proposed site. Five miles is not a whole lot compared to the giant scheme of turbines and everything else. Even I was shocked at the results. A five-mile radius from that plant includes 54 schools, 13 nursing homes, but more importantly 54 schools. Do we want our children --you're family people, fathers -- do you want your child in that circle?

MR. POTTER:
If the plant reduces pollution, you're damn right I do. Allen, I've got five kids. I'm just –

MR. LEON:
I suggest you put the plant in your backyard.

MR. POTTER:
I'm just as concerned about pollution and air quality as you are, but I can assure you that if you took the time to study this issue and maybe sit down with our experts and DEC, you'd reach the same conclusion that we have.

Maybe this is one of those issues that you just put aside and let the judge and jury decide through the hearing process.

MR. RAACKE:
Let me jump in here under the judge and jury issue. I made a note there before. I have personally not been through an Article 10 process. I'm sure Mr. Potter has, but it is my understanding that that is very similar to a rate case proceedings because you have an administrative law judge and you have a proceeding on the record in a quasi-judicial setting. Mr. Potter can correct me if I'm wrong.

MR. POTTER:
That's correct.

MR. RAACKE:
I just wanted to point out that this is in fact different from having a judge and a jury because having been through a rate case the parties can make their case before the administrative law judge and can have an opportunity to cross examine witnesses under oath and so forth. It is a very court-like setting and proceeding. However, in the final stage of it the administrative law judge will issue a recommended decision, but that recommended decision is not binding upon the commissioner, in this case, at least that's my understanding on the siting board. The siting board will have the final say on this, not the judge.

MR. POTTER:
That's true, but if the judge issues a ruling that states this facility will adversely effect the community within which it's located, it won't get approved by the siting board.

MR. RACCKE:
Well, we can debate that. I just want to point out that the judge does not make the final decision. The siting board makes the final decision.

MR. POTTER:
I never stated he would.

MR. RAACKE:
And I'm not saying that you did. I just wanted to point that out to the committee. Also I wanted to point out that on the remarks that were made regarding excess capacity, that if excess capacity were built, that of course it wouldn't necessarily all run. In fact, that is true. Only exactly as much capacity can run as there is demand. So if we have a day with 4,500 megawatts of demand, only 4,500 megawatts of capacity of power plants will be running. You have to have an exact one-to-one match. Basically, you cannot store electricity, and therefore you have to ramp up your power plants exactly in the same relation as the demand goes up and you ramp them down exactly in the same manner as demand goes down during the day, during the year, and so on.

CHAIRMAN COOPER:
Gordian, can you just clarify for me, I understand about the market forces. I understand apparently there is a bidding process that takes place the day before that determines who will be supplying power the following day and what plants will be operating. But how do those plants know that day what the demand will be later in the day?

MR. POTTER:
I'm sorry. I didn't get the last half of that. I thought you were asking Gordian a question.

CHAIRMAN COOPER:
Whoever is able to answer it.

MR. POTTER:
I didn't hear the last part of that question.

CHAIRMAN COOPER:
How will the plants that win the bids the previous day, the following day how will they know how much power will be required?

MR. POTTER:
The New York ISO runs a model that determines based on weather conditions on a region-wide basis – as an example, they do this just for Long Island. They project what the need is for the next day. They tell generators via electronically which units will operate and give them operating instructions as to when they have to come on line, when they have to live fire, when they have to be hot. Then they also do intra-day corrections. So if today they projected load tomorrow at eleven o'clock to be 3,400 megawatts and because less clouds came in and it went up to 3,500, they make intra-day corrections and instruct different generators electronically and sometimes over via live land lines to pump up their generation to deal with that. But it's done on a very real time basis, and they are constantly making those little corrections every hour. Actually they make that correction every five minutes. It's quite a process.

MR. RAACKE:
You can literally say you have a remote control right here on the wall; the wall switch will cycle on and off a portion of your power plant out there.

MR. POTTER:
One of the units on Long Island has to provide what's called ten minute spin service. The unit isn't asked to run at 100 percent load. It's asked to run at maybe 80 percent of its full capability. That means it's got some room between 80 percent and –

CHAIRMAN COOPER:
It will pick up the slack if it has to.

MR. POTTER:
Exactly, and they actually determine this on a five-minute interval.

MR. RAACKE:
Another item I wanted to point out is that there was talk about whether this technology would be the ideal technology. I think Legislator Crecca asked that question, and Allen Leon answered that, yes, this would be the ideal technology. I would want to quantify that because the proposed Kings Park plant is a simple cycle facility, simple cycle turbine. That means that it runs at about 35 percent efficiency. Do you have the exact number?

MR. POTTER:
It's got about a ninety-three fifty to ninety-four hundred heat rate. I haven't done the math on that.

MR. RAACKE:
That's about 34 or 35 percent efficiency. In laymen's terms, I guess of 100 percent raw energy that goes into the plant in terms of fuel input, whether it's natural gas or oil, you will get only 35 percent out of it in the form of usable electricity or a little less than that. That means in the process you're wasting about 65 percent. A combined cycle unit has a much higher efficiency, meaning that you get a larger amount of electricity out of the same amount of fuel input. Therefore, I would want to point out that a combined cycle unit or possibly even a combined heat and power configuration has a much higher rate of efficiency of converting fuel into electricity and would, therefore, be the more appropriate technology, if you will.

MR. POTTER:
I need to respond to that because a combined cycle plant – and we're building combined cycle plants. We have one almost completed out in Arizona, and we have a project actually right next to our Martin's Creek plant that's intended to displace a lot of that unit and elsewhere. A combined cycle plant is designed to compete with the base load power needs of a region. If you built a combined cycle plant here on Long Island only to compete with Long Island resources, you'd have to take it up every day and then bring it down at night, take it up every day, and bring it down at night a couple hundred times a year. A combined cycle plant simply isn't designed to do that. You would destroy the unit in a matter of years.

A peaking plant, on the other hand, or an LM6000 facility is actually designed to start up and shut down two or three hundred times. There are no limitations on it. When we talk about a ninety-three hundred or ninety-four hundred heat rate with our unit, that's versus a ten three to eleven thousand heat rate on the existing fossil units here on Long Island.

So a combined cycle plant is a great plant. We're developing them, building them, but as it relates to competing in this market, it's our opinion that they're not the right units to build.

There are other problems with combined cycle plants. KeySpan, as an example, is developing one on Spagnolia Road. You need a much higher stack because you have much lower exhaust stack temperatures. You need stack highs in excess of 200 feet. You also need a cooling cycle because you have a steam cycle, and you need to cool it. The commission, the siting board, has pretty much already showed their hand and stated that if you're going to cool, you can't use water. You have to use air cool condensers. Well, an air cool condenser is a big thing. It's about 100 feet high, and it's about 200 feet wide by 400 feet long. That's an air cool condenser. This is a huge structure, and it's a bank of fans that are very noisy and that are also very energy intensive. That's kind of the second thing.

The third different distinction between a combined cycle plant and our plant is that it has what's called a wet plume. So you will see a white vapor plume out of that stack for a significant amount of hours in a year versus our plant where it's estimated to be less than two or three days a year at night. So there are some huge distinctions between the two from a development perspective, but there are some distinctions between the two in terms of what is the right unit to put into a market. In our assessment, the right unit to put into this market are units that can compete with a plant that runs about 50 percent of the time. These units are the right units for that load.

MR. LEON:
Mr. Chairman, again, we're getting into a technical discussion here about turbines, etc.

LEGISLATOR CRECCA:
No, I was going to agree with you. I wanted to bring it back into –

MR. LEON:
Right. The key here is, please, the reason that we are here and that I am here is because the siting of this plant is inappropriate.

LEGISLATOR CRECCA:
Tell, me in a nutshell, I know obviously we're concerned about the impact of air quality in the Commack, Kings Park area, but if you could, because it may drive a little bit of the discussion too, tell us – we have a lot of residents here and all that. Jim wants to, I think, address some of the concerns of the residents. What are the other reasons other than air quality because we've talked about that a lot, that you think this is the wrong site or that Townline thinks it's an inappropriate site? Is that a fair question?

MR. LEON:
Yes, sir, it is. Mr. Potter is attempting to look to view a double feature on Long Island by paying a low admission price to the theater, and it doesn't work that way. New York must be very lucrative otherwise we wouldn't have 30 power plants trying to site here.

You cannot wring that towel out and get every penny out of it. You have to make an investment in here. Trying to site that plant on a 20.9 acre location immediately adjacent to residential homes is inappropriate. We have all the air quality studies. I have Dr. Walberg, particulate matter. I have more people really to bring up here sitting behind me.

But the key is that it is too close to homes, and there are two many dangers with regard to that plant that you should not site it so immediately close to what's happening. The 54 schools, for instance, I know Mr. Potter is characterized the distance as almost three football fields. If you look at Mr. Potter's pictures, it looks as though it's taken from the base camp

and in three days they'll assault the summit with two Norwegians and a Sherpa guide. But we have taken some pictures here that I would offer up to the committee from the backyards of the homes on Peppermint. We will circulate those to Mr. Potter also, if he promises not to destroy them.

That crane that you see in those pictures is the approximate location of where the turbine buildings and stacks will be. This site is 20.9 acres. If this was put, let's say, in Shoreham, there would be over 500 acres of buffer around it with plenty of area for dispersion before it gets to an impact area. Here it's immediate.

We did a health study in the Commack, Kings Park, East Northport area, informal. However, we sent out surveys. We got 190 surveys back representing 266 people in the immediate vicinity of the proposed site. There are 179 with allergy problems, 87 with asthma, 9 with emphysema, 6 with breast cancer, 2 with skin cancer, 3 lung cancer, 1 brain cancer, and 13 others, meaning some other type of chronic affliction.

What lead us to this was talking to the school nurses, in that we were surprised at the amount of children that are going to school now that require medication during the day. So we investigated it. Why would we want to put these children, elderly, and adults at further risk? It's inappropriate. We already have the venting of the methane. We have the Huntington recycling plant, which in itself is a producer of electricity. We have St. Katherine's incinerator. Why should we shoulder the burden additionally of more pollution and contamination?

Mr. Potter talks about regional air. Well, regionally air encompasses a larger area, and he's going to get into emission credits. Emission credits are right out of the jumbo shrimp category because emission credits are purchased from closed plants. If the plants are closed, they're emitting zero right now. Mr. Potter is going to buy them at a 1.3 ratio and then emit 10 in Commack and Kings Park of what is not being emitted 13 of somewhere else. This is the modern day version of the walnut and the pea game, if you will. Right now, again, I'll reiterate it, there are zero emissions coming out of that site. Whatever else is added to it, whatever it is, whenever it is, it is in addition to what's going on there right now.

CHAIRMAN COOPER:
Jim, I'd like to ask a question, sort of segueing off what Allen said about possible alternate sites to Kings Park because that's what this really comes down to.

MR. POTTER:
I don't know, did we hear all the statements from Mr. Leon as to why it was inappropriate? Were there any others?

CHAIRMAN COOPER:
We'll get back to that. Public statements were made recently by LIPA and others that Shoreham may be an appropriate site to build at least smaller plants and who knows what will evolve from that. Are you in agreement that if you could put the cost considerations aside for new transmission lines, etc, that it would make more sense to site a plant on a property like Shoreham where it would be surrounded by hundreds of acres compared to Kings Park where it's clearly a much smaller area?

MR. POTTER:
But how could you put cost considerations aside?

CHAIRMAN COOPER:
I'm just saying putting that aside temporarily, just from a health point of view, aesthetics, all the other concerns.

MR. POTTER:
Here's why I disagree. First of all, the pictures – some of those pictures are not taken from backyards. A couple of them are, but in one picture the post that is in the middle of the right-

of-way that designates the Iroquois gas pipeline is a couple of feet from the camera view. That is in the middle of the right-of-way looking over to the property. I can also say that that's taken on the eastern side of the right-of-way. Some of those pictures, they're not taken from the backs of someone's yards. A couple of them are.

Let's also be correct here in stating that what we're proposing to do, and what we've stated on numerous occasions is to implement a mitigation program where we intend to install landscaping on that right-of-way which will hide the view of this facility. If viewing the facility is a concern, I can assure these people that with the appropriate landscaping scheme they won't be able to see it.

If proximity is a concern, facilities on Long Island, Northport, Port Jeff, these facilities are as close to homes, if not closer in some circumstances, than our facility. People have lived in harmony with power plants for a long time, much worse power plants than our facility. There are a lot of people that like Northport because the tax benefits associated with it and have been living with it for a long time, even though it is a major polluter. This facility is not a major polluter. It's an improver of air quality and you get the tax benefits associated with it. People won't be able to hear it. It will be safe. It will be clean, and they won't be able to see it.

Right now that site is occupied by a sand and gravel operator. That activity creates noise. It creates dust, and dust, particulate matter, as Dr. Walberg pointed out earlier, is a much bigger issue particularly the elevation of the dust emanating from that site goes into the {Candy} section of Commack. The particulate matter from our plant does not go into that section. It displaces particulate matter from other facilities and will reduce particulate matter. We would be very happy in about another week to share the study results from our analysis that shows the isopleths, it shows the level decrease in Kings Park and Commack.

For that reason, this is the perfect site. Up in Wallingford it's actually much closer to homes, about 400 feet away from homes. There is no landscaping between them. These projects can live in harmony with a neighborhood.

LEGISLATOR CRECCA:
What about, Allen, other things? What about sound? What do you say to that?

MR. LEON:
First of all, before I –

LEGISLATOR CRECCA:
You know what, Doctor; did you want to respond to that?

MR. LEON:
Before we get into that, we would like to hear a response to Chairman Cooper's question by Mr. Potter with regard to Shoreham.

MR. POTTER:
What – I'm sorry. What specifically? I think I answered it. He asked if there was a better site. My response was the site we're on now is a good site. It's much better than Shoreham.

MR. LEON:
I think when Mr. Potter says better in his prior power point discussions, he lists benefits. If you look through the benefits, they're all benefits to Pennsylvania Power & Light, nearest to connections of natural gas, nearest to transmission lines, etc, etc, but they are in no way benefits to the community. Let's get back to Shoreham again. That's where I think we're interested in hearing this answer, in that there is a possibility that Pennsylvania Power & Light can construct a plant in Shoreham. I think that's where your question was going.

MR. POTTER:
Are you referring to the LIPA bid?

MR. LEON:
Yes.

MR. POTTER:
Yes, LIPA has issued a bid for 80 megawatts at Shoreham. That facility has to run on oil because there is no gas available at Shoreham. I wasn't aware you guys wanted things to run on oil.

LEGISLATOR CRECCA:
If we asked Shoreham, I'm sure they'd rather –

MR. LEON:
Let's get back to the question of cost aside. Is Shoreham a better location? I believe that was your question, sir.
CHAIRMAN COOPER:
There was a question as to whether gas transmission --

MR. POTTER:
Cost associated with what, transmission facilities and gas?

CHAIRMAN COPPER:
Correct.

MR. POTTER:
How can you ask a question where the premise is you don't have transmission facilities, and you don't have natural gas? Oh, but is it okay to build a plant there? You have to have gas, a lot of it, and you have to have the ability to move the electrons to market. Without that, you don't have a site.

MR. LEON:
Let's go to the issue. If the site had – and I believe this is where you're going –

CHAIRMAN COOPER:
Again, theoretically, cost aside, if there were gas transmission lines built, if that was not a factor, would the Shoreham site make more sense from a health point of view and all the other concerns.

MR. POTTER:
I don't know. The reason I don't know is because you have to do air modeling analyses to determine whether it's better from a health perspective. We've already done analyses that suggest that our plant reduces power plant emissions in the area. So how can you get better than that? It's clean, it's quiet, they won't see it. How can you get better than that. This is like a business, an investment in the community that improves the environment. These people want to oppose it.

MR. RAACKE:
Just for the benefit of the public, I should say that there are several plans to construct a gas pipeline to Shoreham. There is one by KeySpan Energy, one by {Dennesey} Gas, and I believe even a third one. So that may be a possibility just a couple of years from now. I'm not here to ask questions, but I'm somewhat at a loss because I'm assuming PP&L is going to submit a bid on the RFP from LIPA to build a plant at Shoreham.

MR. POTTER:
You can assume what you want. What we do from a business perspective as it relates to that RFP is up to us. It's confidential. Eighty megawatts at Shoreham is not going to solve the energy crisis on Long Island.

MR. LEON:
Chairman Cooper, there is an additional situation in Shoreham where a larger plant could be built. Again, apparently there are huge corporate profits involved here, otherwise companies wouldn't be fighting to site here. If that's the case, how much money are they really going to make? Let's ask them here, and is it inappropriate to ask them to contribute to the infrastructure if they're going to make that much? How much money are these plants going to generate? Let's ask them.

MR. POTTER:
When you say people are fighting to locate here, are you talking about on Long Island or Shoreham?

MR. LEON:
My question had to do with siting on Long Island. There are companies that are willing to make investments and not in Kings Park. They are willing to make larger investments. Let's roll the carpet out for them. Why does it have to be in Kings Park if these other companies are willing to spend more money? How much money are – why don't we ask Pennsylvania Power & Light? How much money is it going to generate from that plant? Let's ask them.

MR. POTTER:
Let me answer the first part of your question first. You made a statement that there are a lot of facilities proposing to locate here on Long Island. The facilities that are located are proposed to be located east of here. None of them are considered viable by anyone within the DPS or even LIPA, unless they pony up $150 million to $200 million each and take the risk associated with trying to build transmission lines from those plants all the way over the Rulland Road where KeySpan is proposing to build their plant. Unless you can get the power from eastern Long Island to western Long Island with the construction of transmission facilities, you can't build a plant. There is no way to get the electrons to where they're needed.

So we can all talk about it being better to locate out there, but it isn't because they don't provide any electrical value. You're going to have to take years and years, a lot of uncertainty. LIPA would suggest that it couldn't happen, to construct a plant out there, and to construct the necessary transmission facilities. The pipelines that are proposed out there right now are assuming that those projects are going to come on line. In order for them to build a pipeline across Long Island Sound, they're going to need to move about 200,000 decks a day. The only way you move 200,000 decks a day is if you have an end user out there. But there is no end user out there because none of these power plants are viable because none of these power plants can get the power from where they are to where it's needed.

We were looking at sites out there. We had four study requests in to the New York ISO. We quickly ruled them out after doing some detailed analyses with KeySpan and LIPA, that they weren't viable sites.

MR. LEON:
Again, viable pertains to corporate profits. We maintain that it is inappropriate to put people's lives at risk for corporate profits. If the cost of doing business on Long Island means building infrastructure, then so be it. That has to be part of your admission ticket. Honing in on a 20.9 acre site because it drives corporate profits, because it's cheaper to get into should not be allowed.

LEGISLATOR CRECCA:
Being somewhat realistic, and I've heard the figure not from Jim but I heard it from LIPA a few days ago, that you're talking about $100 million to $150 million to build the transmission lines needed to get the power out of those types of sites. I don't know if we're going to find an outside company that's going to want to come in and put that kind of money in. It becomes unprofitable.

MR. LEON:
We were told by LIPA today that in the evolution of a business deal, that things will happen. Sharing will happen. Pipelines will happen. Transmission lines will happen. The longest journey does start with the first step. But it is inappropriate to take an easy way out that puts people at risk when we should be looking at the whole picture. As long as we're on this, let me just take this because I see the time is running out, and everyone is getting a little antsy here.

MR. POTTER:
Can I just answer one thing because I agree with Allen? Corporate profits should not be the end-all goal at the expense of public health.

LEGISLATOR CRECCA:
I don't want to interrupt, but I just want everyone to realize we just had them agree on something.

MR. POTTER:
And our position is that we are not adversely affecting public health, and if we are, and the study suggests that we are, the siting board won't approve this project. It's that simple. The siting board will not approve this project if it adversely affects public health.

MR. RAACKE:
It should also be clear that the siting board will not compare the various proposals. I have said this many times before. The siting board will only look at each proposal by itself and not compare various technologies, various sites, various proposals.

MR. POTTER:
They will look at whether our plant adversely affects public health.

MR. LEON:
This is exactly why I came to the Legislature for Suffolk County and why I came to the E & E Committee. This is my third visit here. I'm sure you're sick of looking at me and probably more sick of listening to me, but this is why I'm here. We are asking that the Suffolk County Legislature take the lead here. The siting of this plant is inappropriate. We all have come to that conclusion after months and month and months at looking at all of the data and the maps and the charts. There are more appropriate sites.

I'm a businessman. You know that. The evolution of a business deal, we are coming to the point that we have most of the raw materials here to make a deal. The hardest thing to do is to attract new investment. Here we have a need. We need more electric. We all know that, but we need appropriate electric. We have an outside company that wants to make an investment here. So we have a lot of goal congruence as we move along here. Ninety percent of the problem is behind us. We have no objection to someone building a plant and making money if they provide something that we need. We're there. The only issue left is where to put it. So let's get together, put our shoulders to the grindstone, find an appropriate site for Mr. Potter, let him build his plant, and then we can all go back to helping our children with their homework instead of coming here.

LEGISLATOR CRECCA:
I just want to jump in for one second just for the members of the public. It's come up about the Suffolk County Legislature and what our role should or could be and all that. I just want to make it clear too and I'm going to ask Gordian – Gordian, as briefly as you can, just explain the process of how a site is approved for a power plant.

MR. RAACKE:
It's governed by the State's Article 10 process. It's a lengthy process. It takes about a year and a half, I would think. It is a quasi-judicial process before an administrative law judge, as was discussed earlier. At the end of that, the siting board, which consists of the Chair of the Public Service Commissioner, Maureen Helmer, and then representatives from the various New York State Departments of Health, Environmental Control, and so on. They will make a

decision on each proposal. As I said, they will not compare the various proposals. They will merely review each proposal as it comes in and then render a decision. Suffolk County has no jurisdiction in the Article 10 siting process.

LEGISLATOR CRECCA:
I wasn't trying to put you on the spot, Allen. I know you've asked us to be advocates as elected officials, on behalf of lobbying, so to speak, to New York State. I just want to make it clear that we are not the ones that are ultimately going to make the decision.

MR. LEON:
Believe me, we do understand that. However, the siting board in Albany asked us directions to the Long Island Expressway when they came down here. They do not know Long Island. They are looking for local input. Who better than the Suffolk County Legislature and the E & E Committee to make those recommendations? The siting board would love for us to give them a package that all they have to do is gift wrap. They don't want to make decisions that are contrary to local favor. They want to add to the situation, and the Suffolk County Legislature can do that by writing to them, by giving them our thoughts, by giving them the alternative sites that are more appropriate. We can have this whole thing wrapped up and put a plug in the wall in a year. But we all have to do it together. Working on inappropriate sites and having us go back and forth, point, counterpoint, night after night is not getting us closer to the goal of where we want to be.

We met with LIPA today. I think that Mr. Potter and company should sit down with LIPA, try to work something out with Shoreham, and I think they'll start to see problems disappear as they work through it. It is a more appropriate site than Kings Park. It's larger. There are more buffer areas around it, and I have an article here that appeared last Friday in the newspaper from Shoreham/Wading River that says that they are welcoming it because they need it for their tax base. So now we have even another part of the equation here that is being fit in. They want it. Well, let's give it to them.

CHAIRMAN COOPER:
Gordian, do you agree with the position that was stated that the siting board would not allow a power plant to be constructed if they did reach the conclusion that it adversely affected public health? And what percentage of the time do they rule against construction of a particular power plant?

MR. RAACKE:
That's a very difficult question to answer. I think the answer would be they would not be able to approve a power plant if they had found that it would negatively affect public health in a major way. However, they could issue a finding that states that in the siting board's opinion and based on the record developed during the process, that they believed that this particular proposal does not significantly affect public health. Then they could move on to approve it. Of course, agencies can be wrong. I have to add that one concern that arose was that the Chairman of the Public Service Commission, Maureen Helmer has several times on the record stated that she believes that we need to expedite the approval process on these power plants, and that doesn't bode well for a thorough review.

MR. LEON:
There are other issues here with regard to air and so forth that we haven't gotten into. For instance, ammonia, it's our understanding that initially there was between 12,000 to 15,000 gallons of ammonia proposed. We have a draft of an October, I believe, emergency response plan that has 55,000 gallons of ammonia, but yet later one in December, the preliminary scoping statement changes that again.

Ammonia is a problem also. I would like to read to you testimony of Mr. Robert Danzinger before the California Energy Commission. He is the Chairman of the {Goal Line} Environmental Technology and Chairman and CEO of {Sunlore} Energy. It's a generator in California. He was having lunch across the street from one of his plants and he said a forklift operator pierced an ammonia line where the street was enveloped in a cloud of ammonia.

He was part of it causing panic and fear. The Vernon Fire Department responded and dressed in their haz mat suits to see how they were and to drag them out of the restaurant. Four months later, the anhydrous ammonia deliveryman clipped the wrong line – and I'm not sure about the anhydrous, that was a question, but the ammonia delivery person clipped the wrong line, causing another spill. People were scared, taken to the hospital and so forth.

Because our proposed plant would be across and upwind from an elementary school, which children I am now taking to Disneyland and so forth so I'll skip that part. We abandoned the project at great cost to our company, great criticism from our shareholders because of the great fear of ammonia. This is a company that has a conscience. We have not heard about this ammonia issue yet and whether it's been resolved or not. Right now, getting down Townline Road to Jericho Turnpike in the morning with 20 mile an hour school limits, school buses, and little kids with backpacks running all over the place is not an easy task. I can't imagine trying to develop an emergency response plan based on the amount of schools and school buses that traverse Townline Road.

MR. POTTER:
I've got to respond to this. First of all, this is anhydrous ammonia that Mr. Leon is talking about. Anhydrous ammonia is a hazardous substance – hazardous substance. If there is a problem with it, you have to put haz mat suits on, and you have to evacuate. Guess what? We're not using anhydrous ammonia. We're using aqueous ammonia. Aqueous ammonia is not considered a hazardous substance. We have to conduct studies as part of our Article 10 application that shows that with a complete and catastrophic failure of our storage tank, that there would not be any harm to the local residents. We're in the process of doing that right now, but there's a huge distinction between anhydrous ammonia and aqueous ammonia. The circumstances that you just pointed out have nothing – no relevance whatsoever to our project because it's a different substance.

LEGISLATOR CRECCA:
I'm going to interrupt for one second because I do have to leave. I have a babysitting problem. I am going to step out, but I think Legislator Cooper is going to continue. I want to thank the Townline Association members who are here and certainly Kings Park Energy also. I want to thank all the residents for coming out. It's good to see you here, to listen, to hear, so that you can make informed decisions, too, on what you're doing.

MR. EISEN:
On the ammonia issue, I would just like to comment that ammonia is ammonia. The form of ammonia from a handling standpoint, anhydrous ammonia is more difficult to handle and is more of a safety threat than aqueous ammonia, but aqueous ammonia is still ammonia and can be very hazardous. In fact, it's classified by the EPA as a hazardous air pollutant. It certainly has a hazard classification. I would also like to comment that in its air permit application, the facility is proposing to emit up to 134,000 pounds of ammonia a year.

MR. POTTER:
I have to respond to that. First of all, I don't know the exact numbers, but ammonia is an interesting substance. It's actually sprayed on farmland. It's sprayed on farmland for fertilizer purposes, not aqueous ammonia but anhydrous ammonia. The hazardous listings that this gentleman was referring to as it relates to an air quality hazard is totally different than the chemical rating of this substance. So this is an easy to handle substance. We take a number of precautions to deal with the possibility of leaks or catastrophic failure of our tanks. We have to conduct studies that show that if there was total catastrophic failure of the tank, not a puncture, but a catastrophic failure of the tank, that there would be no hazard associated with this on our site. That has to be showed through studies that are conducted. Aqueous ammonia is a safe substance. It is designated as a non-hazardous substance. It is not anhydrous ammonia.

CHAIRMAN COOPER:
Jim, a couple members of the audience passed up the same question. Did PP&L consider any other possible sites on Long Island?

MR. POTTER:
As I mentioned earlier, we actually looked at – we were negotiating option agreements on several other sites, primarily east of where we're located now. But after we sat down with LIPA and KeySpan, and we understood the transmission issues and the field supply issues, and then we went back to the Kings Park site, it was hands-down the best site. Again, the criteria, our influence, there is no question, the criteria influenced by proximity to transmission lines, proximity to gas lines, but it's also influenced by a whole host of other things. Those issues go right down the gamut that we've already discussed, noise issues, visual impact issues, proximity to other similar uses, on and on and on. This is a good site. As a matter of fact, LIPA officials have been on the site. They think it's an excellent site. DEC officials have been on this site. They think it's a great site. This is a good site, period.

MR. LEON:
I take exception to those comments because we have letters from the DEC saying that their only responsibility is with the air quality, and they have not rendered any opinion with regard to the real estate or its appropriateness.

MR. POTTER:
Formal opinion. They have not rendered any formal opinion.

MR. LEON:
They have not rendered any opinion. So those comments are completely erroneous. Again, there are more appropriate sites, and there are companies that are willing to make those investments. Let's roll out the red carpet for them and let them do it. This is not appropriate, and it should not be built here.

MR. RAACKE:
The comment that was just made by Mr. Potter, I should point out, raises the concern about the due process during this siting review. If DEC has expressed an opinion, whether formal or not that this is a good site, and at the same time DEC and the Commissioner of DEC is on the siting board, and DEC is heavily involved in the process under Article 10, that raises some serious concerns about due process.

MR. POTTER:
I don't think there's any concern of due process, if you understand the Article 10 process. There's much public involvement within all the agencies in the State that looks at – well, you've seen the Article 10 applications, Gordian. These are as complete a filing as you can get.

MR. RAACKE:
I'm talking in regard to your comment that DEC has expressed an opinion. It may not be formal, but if DEC has expressed an opinion already before the process has been formally started before an administrative law judge, DEC may be biased from the outset.

MR. POTTER:
As Mr. Leon pointed out, DEC works on air issues, not on siting issues, proximity to homes and that sort of thing.

MR. LEON:
With regard to the nearness to homes, please, let's get back to the issues that we're talking about here. This is an article written by a Dr. Alexander {Laservitch} from Mr. Potter's own – and this is "Industry Accepted Energy Technology Magazine," he has documented here that between 1971 and 1997 there have been 83 incidents of turbine explosions. Property damage has amounted to $41 million; repair costs were $172 million. There was leakage of oil into the surrounding soil because when these turbines blow up, they puncture the oil delivery high-pressure systems that are lubricating them. Sixty-seven percent of these problems resulted from oil leakage from pipelines. Again, we're talking about an Article 7 protected area.

Also, what Mr. Potter has not disclosed in the preliminary scoping statement is that in addition to the fuel oil that they want to store on that site, there is some seventy-seven plus thousand gallons of oil and other liquids on site, even without the oil storage, which presents in itself a threat to the underground water table. By the way, there were ten deaths associated with these explosions.

All of this comes down to a heavy industrial use next to residential areas, which is inappropriate. That's what we have to keep getting back to. We spent a lot of time on technology and electrons and so forth. That's fine. We need electrons. That's the name of the game, but where do we need this to happen? The answer is not adjacent, 200 feet from homes. That's the problem.

CHAIRMAN COOPER:
Jim, I don't know whether you can answer this, but talking about relative proximity to homes, historically, what impact does a power plant such as this have on local property values?

MR. POTTER:
I'm not familiar with any studies that have been done to that effect. I know that in a number of different regions, it's had a positive impact, primarily because of the tax benefits associated with it. I think there is probably speculation because I'm not familiar with any studies that have been done, but the tax benefits associated with this high concentration of dollars invested in real estate and equipment has a tendency to keep taxes in a region low, and that has a tendency to increase home values. That's the only statement I have seen anywhere on that issue, but I haven't seen any studies associated with impact on home values.

MR. LEON:
Now that we've brought up taxes, and the door has been opened, that allows me to cross on direct. Here we go. Taxes, Mr. Potter has said at a few of his public meetings that they are going to be the largest investor in Kings Park. He eludes to the fact that because they're going to be the largest investor, that they're going to pay a lot of taxes. However, when asked are you going to apply for a tax certiorari, his answer was, doesn't everyone?

MR. POTTER:
Wait a second –

MR. LEON:
When the issue – careful now.

MR. POTTER:
I've never said that. Where did you raise that, Allen, doesn't everyone. I've never said, doesn't everyone. Any time that questions comes up, I have stated very specifically our preference is to have a pilot program.

MR. LEON:
Let's talk about the pilot program.

MR. POTTER:
Let me just finish.

MR. LEON:
The pilot program is payment in lieu of taxes. Now a pilot program is run through the IDA, the Industrial Development Association, which by its nature lures new businesses in by drastic tax reductions. So the pilot program IDA scenario is just another form of tax certiorari. I have documents here, and I can get into the boring numbers if you want, that Pennsylvania Power & Light in Pennsylvania reduced a $6.2 million tax liability to $460,000, and then had to be sued to pay the taxes in the school district joined with the town to sue to get that even reduced amount out of them. So let's not talk about tax benefits because, again, it's all slight of hand and it's never going to happen.

MR. POTTER:
Allen –

MR. LEON:
In addition, Mr. Potter appeared before another Economic Development panel and requested between a 50 percent and 100 percent reduction on taxes. So let's talk about a free ride. There you go.

MR. POTTER:
Allen, I'm sorry. I must have a twin brother that requested that 50 to 100 percent reduction in taxes because I have never made that request. I have always stated that we are prepared to be good corporate citizens, pay taxes as they are assessed. We have a preference for a pilot program, but our pilot program preference is because it creates a fixed stream of payments over so many years.

I know what you're going to do, Allen. You're going to talk about what happened in Pennsylvania, but let me explain what happened in Pennsylvania without the Allen Leon spin. What happened in Pennsylvania is there was a tax called PURTA, which was the Public Utility Regulatory Tax Act, which is how all utility assets were being taxed in Pennsylvania. With the advent of deregulation, those tax rules changed, and it left it up to communities to define tax obligations of individual utility assets. There were a number of communities that tripled the tax obligation that we had – tripled. Now I ask you, if your taxes tripled, would you take exception to that? Would you? I think you would. That's what we did as good corporate citizens.

MR. LEON:
In 1966 when the government sent me a letter that said that I was to go, get dressed in a green uniform, guess what? I did it. Every year, I pay my taxes by April. I think everyone else should also. Lower Mount Bethel Township considers joining Bangor area school board to collect real estate taxes on PP&L property for the past year. The Bangor area school board approved legal action to collect $393,422 for PP&L for its power plant and other properties in the township. They didn't want to pay it. They didn't want to pay their taxes. Mr. Potter has ads in the paper saying they want to be a good neighbor. Good neighbors pay their taxes, I'm sorry.

MR. POTTER:
Well, Allen, again, I go back to this whole – what's happened with deregulation is there has been a reassessment of all generating assets, and in some communities it results in the tripling or doubling of taxes. Under a number of state laws, we have the ability and the authority under state law to refuse to pay the taxes until those issues are remedied through a court of law. That's what we're doing in a number of the communities we're located in.

But let's just put those aside. What are we prepared to do here? We are prepared to negotiate a pilot agreement that guarantees payments to this community over a certain time period. If you want to influence how much payment is made, then you can talk to the Industrial Development Authority at some point in time, but at this point in time, we're making a commitment to pay our fair taxes to this community, either through a pilot program or a direct assessment by the community.

Let's go back to the good neighbor issue. Mr. Potter has put ads in the paper. He wants to be a good neighbor. Let's see what kind of neighbor he is in Montana. They bought a Montana power plant and raise the cost per megawatt hour from $19 to $320. They put two large businesses out of business. All were AFLCIO union workers, I might add. Three hundred and twenty families are now without income. PP&L directed that electricity toward other areas so they could charge more for the same electricity. These are responsible good neighbors; I don't think so.

MR. POTTER:
We purchased all of Montana Power Generation. That's a fact. We spent almost $800 million

doing it, not just one power plant but several power plants out there. We did not deregulate the market out there. The State Legislature did, and Montana voluntarily sold their assets. We, after a long bid process, purchased them. Under a long-term agreement that ends in 2002, we sell them power at $22.50, not $320. We ultimately sold in the wholesale market over and above that, which was required by Montana Power at $320 because that's what the wholesale market was as a result of California sucking in a lot of supplies from the surrounding region, including as far away as Montana. That's number one.

Number two, we have agreed with Montana power and the State Legislature there to sell power for another five years to 2007 at prices hundreds of millions of dollars below market because we understand the hardships that are being borne on some of the businesses in Montana as a result of shortages that could happen here, are likely to happen here. We have foregone hundreds of millions of dollars of profits to take care of some problems in Montana. These are facts, Allen.

MR. LEON:
Please note those words, at below market. They raised the market value so high that even at below market this is nothing more than what the carpetbaggers did after the Civil War.

MR. POTTER:
Allen, do you influence price of gas at your gas stations?

MR. LEON:
No, sir, I do not.

MR. POTTER:
Well, we don't influence the price of power. All we can do is sell it at market. But do you know what? We recognize the problem of business in Montana. We want to have a strong Montana economy, and we're selling them power at well below market prices for five years. That's a major compromise.

MR. LEON:
Let's go back to our issue here. If you look at Mr. Potter's latest site diagram, you'll notice that the maintenance sheds, the transformer sheds, etc., still remain on the border of the LIPA right-of-way even though they have reduced the plant from 600 to 300 megawatts. There are three large, very suspicious areas in the middle of the site plan.

It is our intention that at some point in time that plant when the infrastructure allows will be improved to 600 megawatts. Mr. Potter stood up at one of his public meetings when asked, "Do you intend to increase that to 600 megawatts," and he's good, he's really good, I have to give him credit, he said, "Not at this time." Prior to that, we have a memorandum from {Rudent} to LIPA saying – {Rudent}, by the way, was the electric contracting company doing work for PP&L at that time. The Kings Park site is being laid out for the installation of a nominal capacity 300 capacity with the ultimate expansion to 600 megawatts. Because of this PP&L is proposing to connect the Pilgrim substation using a 345 kilovolt underground cable but plans to initially operate it at 138. We talk about being a good neighbor. We talk about being truthful. When asked to evaluate the situation at 600 megawatts, they said, "No, no, no, we're only going to be at 300." But where are they going? They're going to 600.

MR. POTTER:
Wait a second. We know we submitted an offer, a plan, our original preliminary scoping statement was for 600 megawatts. The original studies that R.J. {Rudent} was doing was also for 300 megawatts going to 600 megawatts because our original plan was 600 on that site. If you think we're trying to hide something here as a result of what you discovered through this memo, I don't follow your logic at all, Allen.

The bottom line is, we're proposing a 300 megawatt facility. The transmission system won't support another 300 megawatts right now. If we ever wanted to expand the site, which is highly unlikely, we would have to go through the same darn process. I've stated very

specifically when I have been asked in public meetings, are we going to expand to 600, no, not right now because the transmission system won't support it. That's the truth.

MR. LEON:
Let's talk about water here for a minute, Mr. Cooper.

MR. POTTER:
Wait a second, Allen.

MR. LEON:
Let's go on to another topic because we'll be here all night just belaying the smaller issues. Let's talk about water. Mr. Potter has very magnanimously offered $500,000 to denitrify a well. The actual estimated cost to denitrify the well is $1.6 million. Where is the other $1.1 million going to come from? It's going to come through Suffolk County Water through our water bills back to us. So we have to sustain the $1.1 million.

Let's take a look at what's happening here. Mr. Potter is going to take our water supply and cool his turbines with it while other residents have to drink water from a denitrified well. It doesn't seem to sit too well with me, and it doesn't seem to sit too well with anyone else either.

MR. POTTER:
It sits just fine with Suffolk County Water Authority.

MR. LEON:
Sure because Suffolk County Water Authority sells a ton of water.

MR. POTTER:
Allen, why don't you do this, why don't you write a letter saying you completely oppose us contributing half a million dollars? Why don't you do that? We would be more than happy to not contribute a half a million dollars to SCWA. Go ahead and make that recommendation that we not give a half a million dollars for a major project benefits program. If we did not do this half a million dollars, Suffolk County Water Authority would have to do it. It's got no connection to our plant whatsoever. That facility produces 1.6 million gallons of water a day. Our plant only needs 300,000. Right now Suffolk County Water Authority has major problems with aquifers. Why? Because homes and run-off from fertilizers and whatnot and leach fields are creating a major problem with the quality of water.

So they have to start installing denitrification plans. This is the first denitrification plan on Long Island. We agreed because it's a good program to contribute half a million dollars to that undertaking. It's going to produce water that's of high quality that meets safe drinking water standards. This is a good program. For you to be complaining about us giving them a half a million dollars is amazing to me. What are you going to complain about next?

MR. LEON:
I love the spin on this, about him donating the $500,000.

MR. POTTER:
Well, what is it? What are you complaining about?

MR. LEON:
I think everyone understands where I went.

MR. POTTER:
Are you complaining that we're not going to contribute another $1.1 million?

MR. LEON:
Anyway, back to Chairman Cooper. I think we've gotten off the track here, and we opened it back up to you for questions and answers again, sir.

CHAIRMAN COOPER:
First of all, I wanted to point out to those who haven't noticed, it's about nine-twenty. We're about twenty minutes past when the committee was supposed to end. In deference to our stenographer, whose hand is probably about to fall off, we're going to try to wrap this up in about ten minutes. So if there are any additional points that either of you would like to make, Allen, or, Jim, you have ten minutes.

MR. POTTER:
After you.

MR. LEON:
I guess it's age before beauty. It's okay.

In closing, which should make the stenographer happy, in closing, our opposition here has been somewhat clouded by technology, by electrons, etc. We are goal congruent with many of the new technologies and temporary new technologies to get us over the hump. That's not our problem. As much as it would be portrayed by Mr. Potter, that we're against everything under the sun, we're not. We want electric . We want it produced safely and appropriately. This site of 20.9 acres immediately adjacent to residential homes is inappropriate and siting should not occur here.

Mr. Potter mentioned last time that it is harmonious with the surrounding uses. The Town of Smithtown has a problem with compliance on the surrounding uses and the overall plan is eventually to bring that up to code. When that is brought up to code, the surrounding uses will not be harmonious with a power plant.

Again, we're talking about degradation of the quality of life. We're talking about building a power plant where people already bought homes, made investments, and are raising families based on what they saw when they came here. But Mr. Potter made comments about people living harmoniously with Northport. Northport has been there so long that the residents for the majority in the area have moved in after the plant was born. They made a conscious decision to live there. Here conscious decisions were made to raise our families, to protect our families, to provide good education in an area that was appropriate. The plant as proposed is coming in after the fact.

If this was the last site on Long Island, then we would sit down and try to mitigate the issues. But the fact is, and that's a word that Mr. Potter likes to use all the time, the fact is is that there are more appropriate sites. There are business deals that could be had in other areas that would welcome the plant. I reiterate, let's all get together and make that happen. It can be a win-win for everyone, instead of this constant fighting.

If every decision goes Mr. Potter's way, every decision between the siting board, 12 to 14 months, after we Article 78 the siting board which is two to three years, and then after that, there is a constitutionality issue with the Article 10 process itself. We're looking at eight to nine years. If Mr. Potter wants a plant, then let him sit with LIPA, work something out for a more appropriate location, and he could probably get a plug in the wall in a year. But we are prepared to stay the course.

Somewhere in Allentown, somewhere in that building, there is an M.B.A. who has not seen the light of day in four years and wears four inch thick glasses. He has a ledger, a line on a ledger drawn somewhere. We are prepared to stay here beyond that line. Having said that, again, it makes good business and good community relations to find a more appropriate site, get the plant built, and get it on line. Mr. Potter makes a profit. He goes back to Bill {Heck} with his fingers in his suspenders saying, "I got us a plant on Long Island," and everybody goes away. Thank you.

MR. POTTER:
Thank you, Allen. I think what these meetings have been successful at doing is obviously to find the differences between the parties. What's interesting about the Article 10 process is it expands that to create a mechanism for the parties to define the differences but for the

parties to back them up with studies that we have to conduct and then we also have to fund studies that Townline Association and other organizations can conduct to evaluate the impact, if any, our facility will have. That process is an effective process in reconciling whether this facility will have an adverse health effect or not. We are spending a lot of money conducting a lot of studies doing design engineering work, evaluating a number of different issues that runs the full gamut of air issues, safety issues, on and on and on. We wouldn't be continuing that undertaking unless we were confident of the results of our study, and that the study shows that there are no adverse health effects associated with this facility on this site.

The Article 10 process will reconcile whether that's the case or not. There will be a ruling made as to whether this project should be approved based on those studies.

I have a lot of respect for Mr. Leon and the fact that he served his country, and that he's been very effective at marshalling opposition associated with this project. These forums have presented an opportunity for people to understand their position and our position.

The Article 10 process is an extension of that, one where a specific forum is created for an effect of reconciliation of the issues. All I encourage Mr. Leon to do and the rest of his colleagues are to take the time and study the issues. We would be more than happy to work with you and understand the issue providing whatever information you may need, so that you can analyze those more effectively. We'll see how things play out through that process, and whether you have defined a health concern. If you have defined a health concern, please tell us now, provide the evidence, the studies that identify those health concerns, and we'd love to see if they're real. If they are, we'll modify the plant as we have in other cases. We have done this in Wallingford. Let's see if we can come up with some rational ways to modify the design, modify water, modify any element, any design element associated with this facility to make it more acceptable to you and eliminate the health risk that you might identify that we've missed. Again, I'm confident we haven't missed any.

I want to thank you for creating, again, this forum for the parties to try to create some dialogue here. I'd like to continue them. So thank you very much. Good night.

CHAIRMAN COOPER:
Jim, thank you very much for coming. Allen, thank you and your associates. I thank everyone in the audience. I know that you must care very strongly about this issue, or else you would not be away from your families at this hour. I found this to be a very informative meeting, and I hope you did as well. Thank you and have a good night.

(The Economic Development and Energy Committee meeting was adjourned at 9:35 p.m.)

JC/ap

{ } – spelled phonetically.